

Contributing to the Growth of the Trust Industry

By Rafael G. Ayuste, Jr.

With the introduction of the Unit Investment Trust Fund (UITF) during the second quarter of last year, the trust banking business has been gaining public interest with respect to the return performance of these funds. These returns have not been seen in the market in recent times considering that the 5-year FXTN rate hit a low coupon rate of 9.375% p.a. December of last year. The UITF industry ended 2005 with an astounding P122 Billion in Assets Under Management (AUM). The exceptional performance is attributable to the global standards of the UITF which marks-to-market its investments, the bond friendly domestic market where bond prices appreciated generously, and the professional management of the funds.

Behind the trust industry is the Trust Officers Association of the Philippines (TOAP), one of the country's oldest financial associations with 48 institution members from the Philippine banking and financial institutions sectors. It was established primarily to unite, professionalize, and promote the Philippine trust and investment management industry. The association's board is composed of nine directors from a cross-section of the active trust players in the market. The TOAP worked closely with the Bangko Sentral ng Pilipinas (BSP) and the industry players in the crafting of the UITF circular up to its introduction into the market in October of 2004.

In April of last year, I was elected as President of the association, having served two terms as a member of the board since 2003. Having actively participated in the activities of the board since getting elected afforded me good insights of the industry at a higher level. Immediately after the election, my first goal was to move the industry, through the association, to the next level of development and maturity in the face of new regulations, evolving market competition and environmental changes. There's a lot to be done to ensure the continuing viability and competitiveness of the industry. The UITF is just the tip of the proverbial iceberg. There's much that can be developed and promoted by the industry as a genuine venue for asset and wealth management, estate planning, tax planning and advisory and fiduciary services.

One of the first items in the agenda is to get grounded by having an office of its own. It's a recognition of the role of the association in the development and promotion of the trust business and in establishing a foundation to reinforce its responsibility to further the interests of its members and of, the investing public that it serves.

Another major initiative is the creation of a medium term plan to sustain the viability and ensure the expansion of the UITF industry. A UITF workshop conference with the theme "Crafting a

Medium Term Plan” was conducted in October 2005, gathering experts from the Asian region together with industry players and the BSP. The output of the workshop is a blueprint for the industry to be implemented within the next 5 years. The action plan has already been drawn up and work has started, initially with the creation of the Council for UITF Development and Promotion. The council’s first meeting outlined its priorities.

A UITF campaign launched a series of ads to create further awareness of the product as a superior global standard investment.

Though it may seem that a major part of TOAP’s efforts is poured into the UITF, the association in reality continues to give equal attention to other key trust industry initiatives, working in close coordination with the BSP to ensure that it progressively evolves with the best interests and safety of the investing public in mind.

Along with my role as president of TOAP, I am first vice-president and deputy head of the Trust Banking business of Metrobank. Additionally, my foray into teaching at De La Salle University (DLSU) opens a whole new world to advocate the serious business of trust, grounded on public trust and recognition. My vision for the trust industry, in the near term, is for it to progress as one that is faithful to its duty to deliver products and services attuned to the needs and best interest of the investing public and aligned to the safety prescriptions mandated by the regulatory bodies.

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